GOVERNMENT OF INDIA
COMMUNICATIONS
LOK SABHA

UNSTARRED QUESTION NO:2966
ANSWERED ON:02.08.2017
Revival of BSNL and MTNL
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Will the Minister of COMMUNICATIONS be pleased to state:

(a) the responsible persons/entities for the alleged pitiable condition of Bharat Sanchar Nigam Limited (BSNL) and Mahanagar Telephone Nigam Limited (MTNL) and the action taken by the Government in this regard;

(b) whether the Government proposes to disinvest and/or merge the said telecom service providers; and

(c) if so, the details thereof and if not, the reasons therefor and the steps taken by the Government in this regard?

Answer

THE MINISTER OF STATE (IC) OF THE MINISTRY OF COMMUNICATIONS &
MINISTER OF STATE IN THE MINISTRY OF RAILWAYS
(SHRI MANOJ SINHA)

(a) Bharat Sanchar Nigam Limited (BSNL) and Mahanagar Telephone Nigam Limited (MTNL) were earning profits since their inception until 2008-09. However, their financial condition has been affected due to various reasons. Major reasons are as follows:

â€¢ One time upfront cost of spectrum for 3G and BWA (Bandwidth Wireless Access) required to be paid in 2010 for the amount of Rs.11097.97 crores by MTNL and Rs 18500.38 crores by BSNL which has eroded their reserves. MTNL had to take the loan to meet this expenditure. This has created financial stress on both PSUs.
â€¢ Both PSUs are also burdened with salary payments of the legacy DOT (Department of Telecommunications) employees, who are now working as absorbed employees in these PSUs.
â€¢ The market dynamics have changed in last 5 to 6 years in telecom sector because of the entry of more number of operators, which have covered major market share and put lot of pressure on the revenues of these PSUs.
â€¢ Both the PSUs could not invest timely in upgradation of their infrastructure.

â€¢ BSNL is providing telecom services in non-profitable areas like remote and hilly regions in various states e.g. Himachal Pradesh, Uttarakhand, Jammu & Kashmir, North East, Chhattisgarh, Andaman & Nicobar Islands and Lakshdweep Islands.
â€¢ Both the PSUs have to follow the prescribed guidelines and procedures which sometimes leads to inherent delays.
â€¢ MTNL is providing its services only in Delhi and Mumbai Service Areas unlike other major Telecom Service Providers (TSPs).

Government has taken various steps to make BSNL and MTNL viable in the background of stiff competition in the telecom sector by:

â€¢ Refund of surrendered BWA (Broadband Wireless Access) spectrum in two service areas held by MTNL and in 6 service areas held by BSNL. Under this head, Rs. 4533.97 crore has been refunded to MTNL through bonds and Rs. 6724.51 crore has been refunded to BSNL through budgetary resources.
â€¢ The pension liability of MTNL for its staff who got absorbed from DoT, has been taken over by the Government.
â€¢ Notional loan of Rs. 1411 crore to BSNL which was due to be paid to the Government was waived-off.
â€¢ Financial support of Rs. 492.26 crore has been given to MTNL on account of liability arising from levy of Minimum Alternate Tax (MAT).
â€¢ Refund of Rs. 458.04 crore to MTNL and Rs. 169.16 crore to BSNL on account of surrender of CDMA (Code Division Multiple Access) spectrum.

Government has also assigned some projects to BSNL, namely:
â€¢ Comprehensive Telecom Development Plan for the North-Eastern Region for provision of mobile services in uncovered villages in Arunachal Pradesh and two districts of Assam at estimated project cost of Rs. 1975.38 crore and implementation of Transmission-Media Plan for North Eastern Region at an estimated cost of Rs.295.97 crore on 10.9.2014.
â€¢ Implementation of providing mobile connectivity in 2199 identified locations in Left Wing Extremism (LWE) affected areas at an estimated cost of Rs. 3567.58 crores on 4.6.2013.
â€¢ Implementation of Comprehensive Telecom Development plan for Andaman & Nicobar Islands and Lakshadweep Islands through augmentation of satellite connectivity/bandwidth at an estimated cost of Rs. 120.49 crores on 7.11.2014.

(b) & (c) At present, there is no proposal for merger of BSNL and MTNL. However, based on the financial results of MTNL for the financial year 2016-17, MTNL has been classified as "Incipient Sick CPSE" as per Department of Public Enterprise (DPE) Guidelines. As per the DPE guidelines, Department of Telecommunications has to formulate revival/restructuring/closure road map for

MTNL, the process of which has been initiated.

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